

MEIGS COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

TWELVE MONTHS ENDED JUNE 30, 2012

MEIGS COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

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June 30, 2012

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Meigs County Emergency Communications District

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Kelly Bredwell
Director

Management's Discussion and Analysis

Our discussion and analysis of the Meigs County "911" Emergency Communications District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. This should be read in conjunction with the District's financial statements, which may be found elsewhere in this document.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and statement of revenues, expenses and changes in net assets provide information about the activities of the District as a whole and present an overview of the District's finances.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about any entity's finances is: "How did the District do financially this year?" The statement of net assets and statement of revenues, expenses and changes in net assets report information in a way that helps answer this question. These statements include all assets and liabilities using accrual basis accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in net assets. Net assets -- the difference between assets and liabilities -- are one way to measure the District's financial health, or its financial position. Over time, increases or decreases to the District's net assets are an indicator of whether its financial health is improving or deteriorating. An analysis of net assets and changes in net assets is as follows:

	<u>2012</u>	<u>2011</u>
Net Assets		
Current and other assets	\$ 388,469	\$ 490,657
Capital assets	<u>266,247</u>	<u>119,198</u>
Total assets	654,716	609,855
Current liabilities	<u>(13,986)</u>	<u>(6,305)</u>
Net Assets	<u>\$ 640,730</u>	<u>\$ 603,550</u>
Summary of net assets -		
Invested in capital assets	\$ 266,247	\$ 119,198
Unrestricted	<u>374,483</u>	<u>484,352</u>
Total Net Assets	<u>\$ 640,730</u>	<u>\$ 603,550</u>
Change in Net Assets		
Operating revenues	\$ 214,536	\$ 231,898
Operating expenses	<u>221,937</u>	<u>175,751</u>
Operating income/(loss)	(7,401)	56,147
Non-operating income	<u>44,581</u>	<u>9,541</u>
Change in Net Assets	37,180	65,688
Net Assets	<u>603,550</u>	<u>537,862</u>
Net Assets - ending	<u>\$ 640,730</u>	<u>\$ 603,550</u>

Analysis of Financial Position and Results of Operations

The District's net assets have increased by \$37,180 over the previous year. Operating revenue decreased by 7.49%, primarily due to the decrease of emergency telephone service charges and TECB Operation Funding. Operating expenditures increased 26.28%. This increase was due to an addition of a map/database consultant and increases in equipment maintenance and repairs, training and travel and depreciation expense.

The District's Net Assets

The District completed the year with net assets of \$640,730 an increase of \$37,180 over the previous year.

Budgetary Highlights

In order to prevent budget overruns, the final budget was amended. The significant changes were to fees paid to service providers and equipment purchases. Expenses of \$221,937, reported on page 9, differ from the District's expenses of \$471,285 reported on the budgetary comparison schedule on page 14. This difference arises due to the budget prepared on cash basis.

Capital Assets

At the end of the accounting period, The District had \$266,247 in capital assets such as communications and office equipment, furniture and fixtures, vehicles and leasehold improvements. This amount represents an increase of \$147,049 or 123.37% due to current year additions.

Financial Activity and Plans for Future Needs

During FY 2012, the ECD Board continued to frugally steward its fiscal resources and enhanced the District's fiscal strength by increasing net assets. The ECD continued to support emergency communications by investing in new technology and assisting the County in the upgrade of physical facilities used for the 911 service. The building modifications were nearing completion in FY 2012 which allowed the ECD to begin the process of procuring and installing NG-911 equipment. Equipment necessary for NG-911 is funded by the Tennessee Emergency Communications Board (TECB).

The ECD, while currently in a stable fiscal position, is preparing for a period of decline in 911 revenues, as the decline of landline fees continues unabated, while growth of 911 fees from wireless/cellular devices no longer is sufficiently robust to offset the trend. Because the County is experiencing financial hardship related to the economy, it is not able to increase financial resources to support emergency communications. Thus, the ECD is taking care to retain existing revenues to offset equipment replacement costs and other mandatory expenditures.

Hugh Bryan
Chairman of Board

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT
June 30, 2012

Hugh Bryan, Chairman

George Billingsley, Vice Chairman

Jeff Thompson, Treasurer

Richard McAllister, Member

Tracey Simpson, Member

Wayne Jarvis, Member

Chris Smith, Member

FINANCIAL SECTION

HARTING, BISHOP & ARRENDALE, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA
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JANICE L. HAYES, CPA
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AMERICAN INSTITUTE OF
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Meigs County "911" Emergency
Communications District

We have audited the accompanying financial statements of Meigs County "911" Emergency Communications District (the District), a component unit of Meigs County, as of and for the year ended June 30, 2012. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Meigs County "911" Emergency Communications District, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2013, on our consideration of Meigs County "911" Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Meigs County "911" Emergency Communications District's financial statements as a whole. The budgetary comparison schedule on pages 14 and 15 is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee
February 9, 2013

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

ASSETS

Current Assets

Cash and cash equivalents	\$ 231,131
Certificates of deposit	141,832
Accounts receivable	4,672
Accrued interest receivable	59
Prepaid expenses	<u>10,775</u>
Total Current Assets	<u>388,469</u>

Capital Assets

Furniture and fixtures	24,441
Office equipment	6,852
Communication equipment	342,543
Vehicles	31,415
Leasehold improvements	<u>147,586</u>
	552,837
Less Accumulated Depreciation	<u>(286,590)</u>
Capital Assets, net	<u>266,247</u>

Total Assets	<u><u>\$ 654,716</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	<u>\$ 13,986</u>
Total Liabilities	<u>13,986</u>

Net Assets

Invested in capital assets	266,247
Unrestricted net assets	<u>374,483</u>
Total Net Assets	<u>640,730</u>

Total Liabilities and Net Assets	<u><u>\$ 654,716</u></u>
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The accompanying notes are an integral part
of this financial statement.

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2012

OPERATING REVENUES

Emergency telephone service charge	\$ 62,639
TECB - shared wireless charge	27,638
TECB - operational funding	124,133
Other operating revenues	<u>126</u>
Total Operating Revenues	<u>214,536</u>

OPERATING EXPENSES

Contracted Services	
Addressing/Mapping expense	1,572
Audit services	4,250
Accounting services	450
Contracts with government agencies	75,000
Fees paid to service providers	13,410
Legal services	5,400
Map/Database Consultant	11,279
Maintenance and repairs - communications equipment	32,157
Maintenance and repairs - building	2,475
NCIC/TBI/TIES expenses	<u>17,609</u>
Total Contracted Services	<u>163,602</u>

Supplies and Materials

Postage	44
Office supplies	<u>5,685</u>
Total Supplies and Materials	<u>5,729</u>

Other Charges

Board meeting expenses	1,180
Dues and memberships	192
Legal notices	399
Insurance	1,332
Licenses and Fees	18
Premiums on surety bond	680
Public education	1,696
Training expenses	820
Travel expenses	<u>4,356</u>
Total Other Charges	<u>10,673</u>

(Continued on next page)

The accompanying notes are an integral part
of this financial statement.

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

Depreciation	
Depreciation expense	\$ 41,933
Total Operating Expenses	<u>221,937</u>
Operating Loss	<u>(7,401)</u>
NON-OPERATING REVENUE/(EXPENSES)	
Insurance Reimbursements	9,412
Interest income	1,108
TECB grant & reimbursements	<u>34,061</u>
Non-operating revenue/(expenses)	<u>44,581</u>
NET INCOME	37,180
Net assets, beginning	<u>603,550</u>
Net assets, ending	<u><u>\$ 640,730</u></u>

The accompanying notes are an integral part
of this financial statement.

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from surcharges and other revenues	\$ 216,031
Cash payments to suppliers for goods and services	<u>(171,736)</u>
Net cash provided by operating activities	<u>44,295</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grants / Reimbursements TECB	<u>34,061</u>
Net cash provided by noncapital financing activities	<u>34,061</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Insurance Reimbursement	9,412
Purchase of capital assets	<u>(188,981)</u>
Net cash used by capital and related financing activities	<u>(179,569)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of certificate of deposit	(681)
Interest income received	<u>1,210</u>
Net cash provided by investing activities	<u>529</u>

Net decrease in cash and cash equivalents (100,684)

Cash and cash equivalents, beginning of year 331,815

Cash and cash equivalents, end of year \$ 231,131

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities

Operating income	\$ (7,401)
Adjustments to reconcile operating income to net cash provided by (used by) operating	
Depreciation expense	41,933
Change in assets and liabilities:	
Decrease in accounts receivable	1,495
Decrease in prepaid expenses	587
Increase in accounts payable	<u>7,681</u>

Net cash provided by operating activities \$ 44,295

The accompanying notes are an integral part
of this financial statement.

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - General Information

Public Chapter No. 867 of the 1984 Tennessee Public Acts ("The Emergency Communications District Law") was enacted to establish local emergency telephone services; to provide for the funding of such services and such district; and to provide for the levying of a telephone service charge.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting

As a government agency, the District is subject to standards prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of Meigs County "911" Emergency Communications District are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District applies Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless they conflict with or contradict GASB Guidance.

Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments which have original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fixed Assets

Expenditures for fixed assets are recorded at historical cost. Fixed assets are depreciated using the straight-line method. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Communication equipment	5-10
Furniture and fixtures	5-10
Office equipment	5-10
Leasehold improvements	15

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - Summary of Significant Accounting Policies (continued)

Component Unit

The Meigs County "911" Emergency Communications District is a component of Meigs County, Tennessee. As such, Meigs County exercises significant influence over the District by having control over the appointment of the District's Board. The District must file a budget with Meigs County and any bonds issued by the District are subject to approval by Meigs County, Tennessee.

Budgets and Budgetary Accounting

The District is required by state statute to adopt annual budgets. As such, the District employs a formal budget integration as a management control device during the year. The District has elected to prepare budgets based upon the cash basis of accounting, which is allowable by state statutes. The budget is legally enacted through passage of an ordinance. Cash basis expenditures may not legally exceed appropriations and any revisions authorized by the board. Appropriations lapse at the end of each fiscal year.

NOTE 3 - Cash on Deposit

The treasurer of the District is responsible for receiving, disbursing, depositing and investing the District's funds. The District's policy related to deposits and investment risk is to invest in certificates of deposit usually with a maturity of three years or less. The District's policy is designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws. All deposits with a bank or other financial institution shall be secured by collateral or in a collateral pool as allowed by state statutes. As of June 30, 2012 all deposits with financial institutions were secured by collateral or by State of TN Bank collateral pool. A schedule of cash and investments classified by category of credit risk at June 30, 2012 is as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash, insured by Federal Depository Insurance (FDIC)	\$ 231,131	\$ 293,289
Certificates of Deposit, insured by FDIC	<u>141,832</u>	<u>141,832</u>
Total	<u>\$ 372,963</u>	<u>\$ 435,121</u>

NOTE 4 - Accounts Receivable

The account receivable balance represents amounts due from the telephone companies' subscriber service charges at June 30, 2012.

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 - Fixed Assets

The following is a schedule of changes to fixed assets:

	June 30, 2011	Additions	Retirements	June 30, 2012	Accumulated Depreciation June 30, 2012
Communications Equipment	\$ 333,220	\$ 9,323	\$ -	\$ 342,543	\$ 260,620
Furniture and Fixtures	2,071	22,370	-	24,441	3,104
Leasehold Improvements	21,713	125,873	-	147,586	12,225
Office Equipment	6,852	-	-	6,852	5,405
Vehicles	-	31,415	-	31,415	5,236
Total	<u>\$ 363,856</u>	<u>\$ 188,981</u>	<u>\$ -</u>	<u>\$ 552,837</u>	<u>\$ 286,590</u>

Provision for depreciation totaled \$41,933 for the year ended June 30, 2012.

NOTE 6 - Risk Management - Claims and Insurance

Significant losses are covered by commercial insurance for property, liability, and employee dishonesty covered by Meigs County Government. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current or the three prior years.

NOTE 7 – Impact Payments

The communications center is located in the Meigs County Jail. The District will make impact payments to the County of Meigs per the terms of the 2004 Communications Agreement. Impact payments for the year ended June 30, 2012 totaled \$75,000.

NOTE 8 – Subsequent Events

Subsequent events were evaluated through February 9, 2013 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2012

	Actual	Budget	Variance
	Cash Basis	Cash Basis	(Over) Under
CASH RECEIPTS			
Emergency telephone service charge	\$ 64,134	\$ 86,000	\$ 21,866
TECB - shared wireless charge	27,638	26,500	(1,138)
TECB - operational funding	124,133	124,109	(24)
Other operating revenues	125	-	(125)
Insurance reimbursements	9,412	-	(9,412)
Interest income	1,210	-	(1,210)
TECB grants & reimbursements	<u>34,061</u>	<u>145,000</u>	<u>110,939</u>
 Total cash basis revenues	 <u>260,713</u>	 <u>381,609</u>	 <u>120,896</u>
CASH EXPENDITURES			
Addressing/Mapping expenses	\$ 1,441	1,600	159
Audit services	4,250	4,250	-
Accounting services	575	531	(44)
Contracts with government agencies	75,000	75,000	-
Fees paid to service providers	12,274	13,287	1,013
Legal services	5,400	5,800	400
Mapping/Data Base Consultant	11,156	10,000	(1,156)
NCIC/TBI/TIES expenses	17,435	18,713	1,278
Maintenance and repairs - communication equipment	31,937	10,000	(21,937)
Maintenance and repairs - building	2,075	-	(2,075)
Fuel expense	-	1,500	1,500
Other contracted services	-	5,000	5,000
Office supplies	5,081	2,500	(2,581)
Postage	44	100	56
Utilities - general telephone	-	2,500	2,500
Next Generation Equipment	-	145,000	145,000
Bank charges	-	-	-
Board meeting expenses	1,034	2,000	966
Dues and memberships	192	204	12
Legal notices	383	246	(137)
Licenses and fees	18	-	(18)
Premiums on surety bonds	-	2,800	2,800
Public education	943	1,000	57
Training expenses	780	3,000	2,220
Travel expenses	4,356	3,239	(1,117)
Insurance expenses	1,598	1,600	2

(Continued on next page)

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2012

Equipment and furniture purchases	63,108	71,415	8,307
Leasehold improvements	<u>121,636</u>	<u>90,000</u>	<u>(31,636)</u>
Total cash basis expenses	<u>360,716</u>	<u>471,285</u>	<u>110,569</u>
Cash Basis Net Income	<u>\$ (100,003)</u>	<u>\$ (89,676)</u>	<u>\$ 10,327</u>

	<u>Actual Cash Basis</u>
Reconciliation of Cash Basis to Accrual Basis	
Depreciation expense	\$ (41,933)
Decrease in accounts receivable	(1,495)
Increase in accrued interest receivable	(102)
Decrease in prepaid expenses	(587)
Increase in accounts payable	(7,681)
Purchase of capital assets	<u>188,981</u>
Net Reconciliation Cash to Accrual	<u>137,183</u>
Increase in Net Assets (Accrual)	37,180
Net assets, beginning	<u>603,550</u>
Net assets, ending	<u>\$ 640,730</u>

INTERNAL CONTROL
AND COMPLIANCE SECTION

HARTING, BISHOP & ARRENDALE, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Meigs County "911" Emergency
Communications District

We have audited the financial statements of Meigs County "911" Emergency Communications District, a component unit of Meigs County, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 9, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Meigs County "911" Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Meigs County "911" Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting: 2012-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

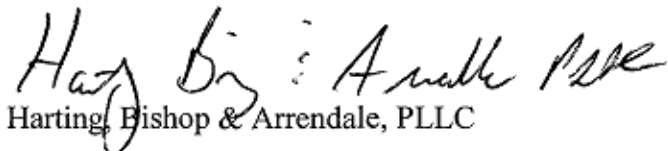
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meigs County "911" Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items: 2012-2.

We noted certain matters that we reported to management of Meigs County "911" Emergency Communications District, in a separate letter dated February 9, 2013.

Meigs County "911" Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Meigs County "911" Emergency Communications District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee

February 9, 2013

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2012

The findings and recommendations as a result of the audit of the Meigs County "911" Emergency Communications District are presented below. Finding 2012-1 and 2012-2 are repeated from the prior year ended June 30, 2012

2012-1: Segregation of Duties

Condition and Criteria: Staff job functions should be segregated so that errors and fraud will be detected by employees in the normal course of their work, in a timely manner. The relatively small size of Meigs County "911" Emergency Communications District administrative staff prevents this proper segregation of duties. Segregation of duties should be in place that allows errors and fraud to be detected by employees in the normal course of their work.

Effect: Lack of segregation of duties prevents errors and fraud to be detected by employees in the normal course of their work.

Cause: This occurred due to the small size of the District.

Recommendation: Segregation of duties should be implemented as staff size increases.

Management Response: We agree with the auditor's findings and recommendations.

2012-2: Budget

Condition and Criteria: The District is required to maintain expenditures within budget amounts. Budget line items were over expended.

Effect: The District has made expenditures in excess of the amounts budgeted.

Cause: The District's accounting system did not provide timely financial and budget reports.

Recommendation: We recommend the District maintain the approved budget to ensure expenditures remain within budget.

Management Response: We agree with the auditor's findings and recommendations and have implemented new accounting and budget procedures to ensure expenditures are budgeted and budgets are properly amended.

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2012

2011-1: Segregation of Duties

Condition and Criteria: Staff job functions should be segregated so that errors and fraud will be detected by employees in the normal course of their work, in a timely manner. The relatively small size of Meigs County "911" Emergency Communications District administrative staff prevents this proper segregation of duties. Segregation of duties should be in place that allows errors and fraud to be detected by employees in the normal course of their work.

Effect: Lack of segregation of duties prevents errors and fraud to be detected by employees in the normal course of their work.

Cause: This occurred due to the small size of the District.

Recommendation: Segregation of duties should be implemented as staff size increases.

Current Status: The staff size has not increased. This finding was noted for the 2012 audit.

2011-2: Budget

Condition and Criteria: The District is required to maintain expenditures within budget amounts. Budget line items were over expended.

Effect: The District has made expenditures in excess of the amounts budgeted.

Cause: The District's accounting system did not provide timely financial and budget reports.

Recommendation: We recommend the District maintain the approved budget to ensure expenditures remain within budget.

Current Status: The District is diligently working to improve the budget amendment process to insure all expenditures are within the approved budget line items. This finding was noted for the 2012 audit.